

Staring at a decade of budget gaps

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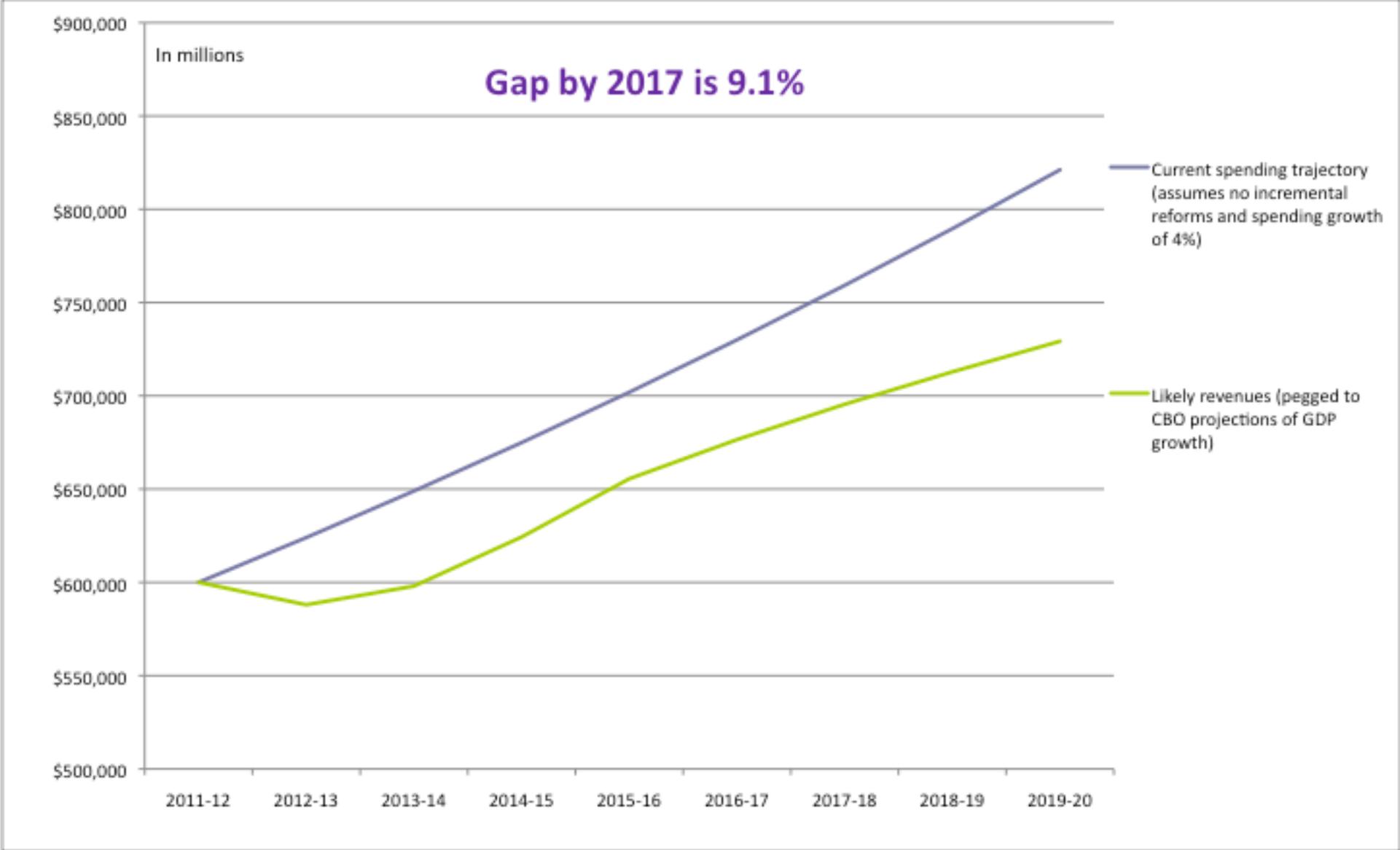
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Built-in cost escalators outpace revenues



Three Paths Forward

- **Scenario #1: Slow cuts that work to erode public education**
- **Scenario #2: Tinker around the edges, trying to protect students and learning**
- **Scenario #3: Redesign schooling to improve processes and outcomes, and sustainability**

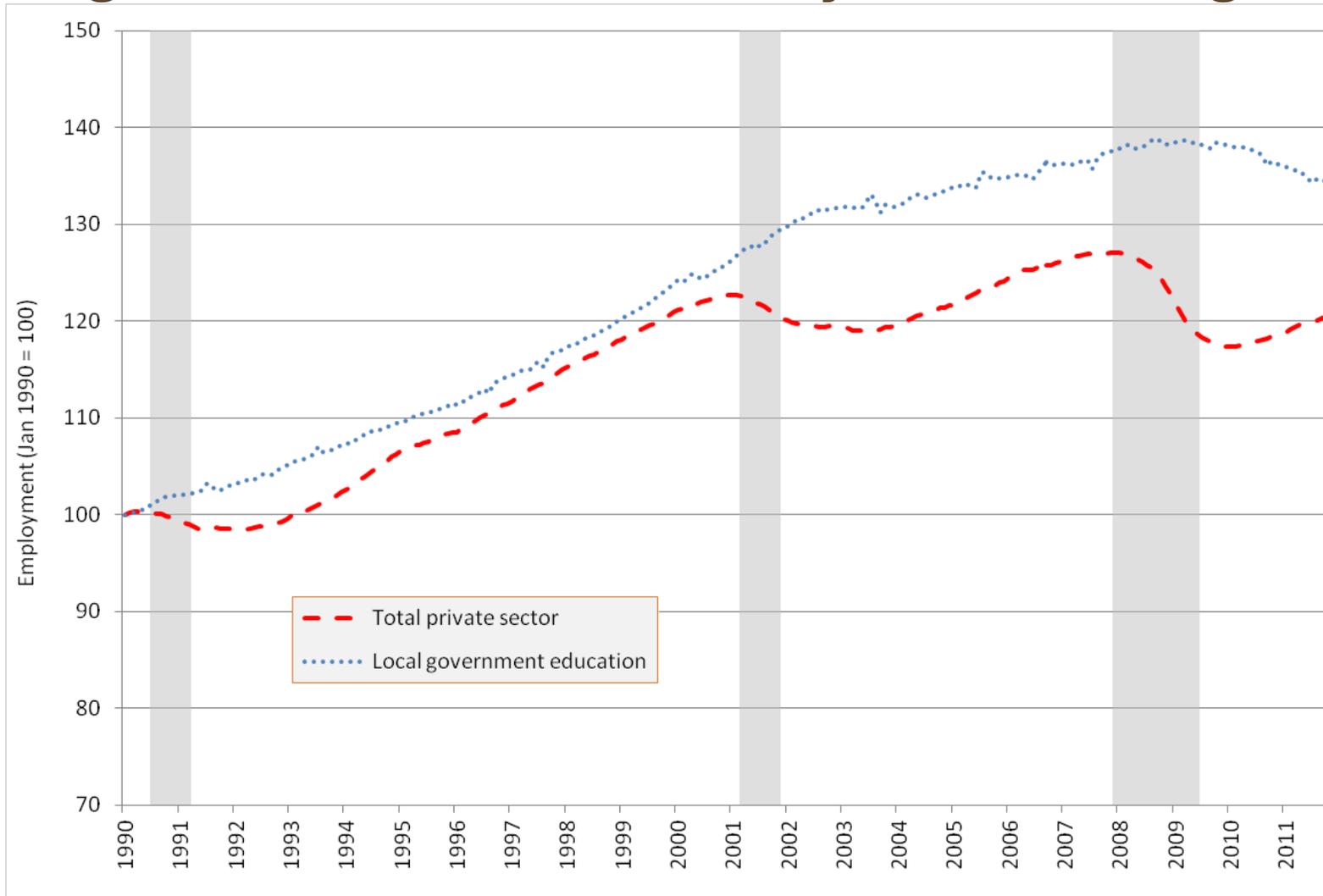
Context

- 1. Resource allocation practices drive resources in ways that conflict with goals**
- 2. Current fiscal strain creates disruptive force.**
- 3. Resource constraints clarify tradeoffs**
- 4. Rapidly changing schooling processes enable dramatically different approaches to serving students**

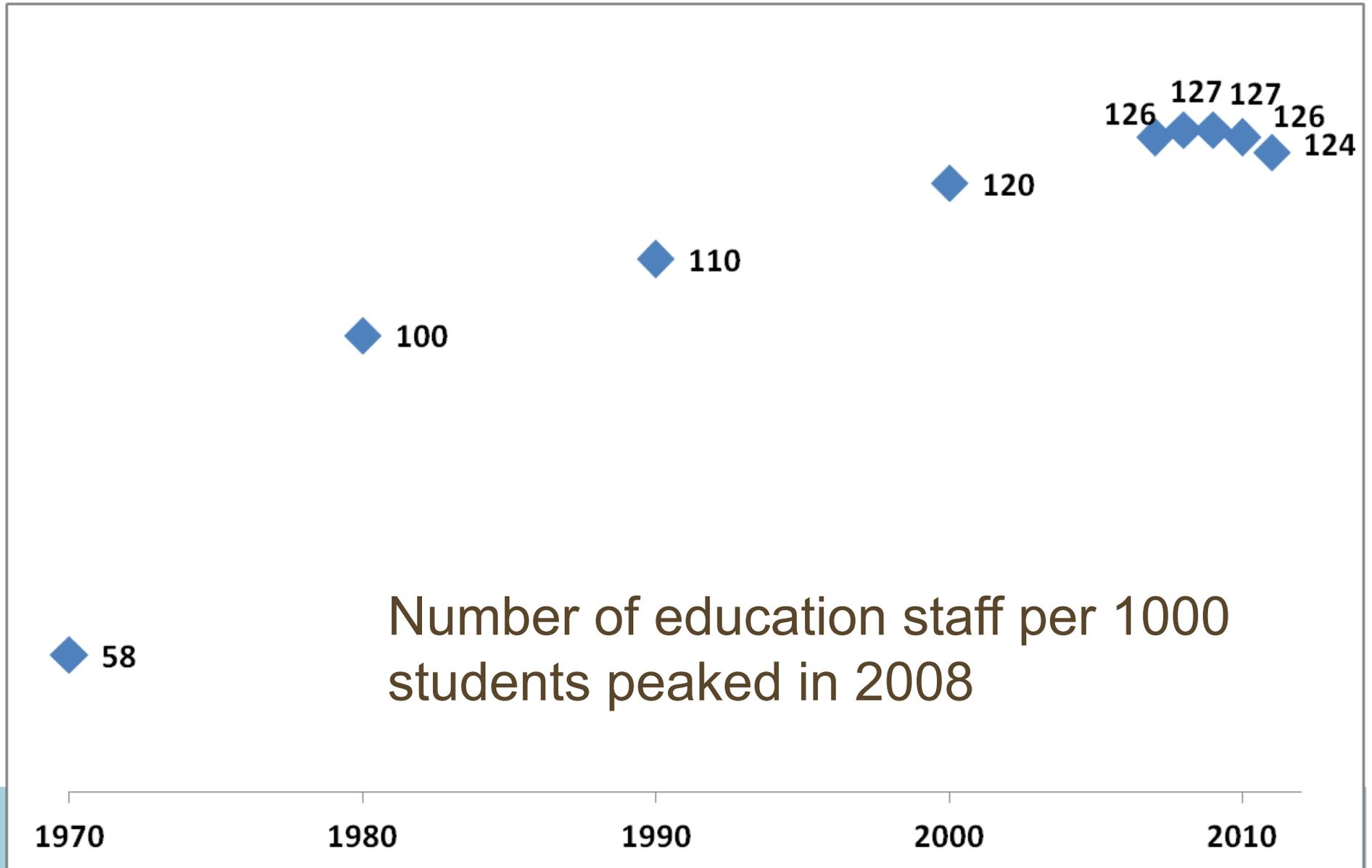
Table 1. Surplus Generated by Enrollment Growth

Revenues	
Revenue per student	\$ 10,000
Additional students enrolled	200
<i>Total Additional Revenues</i>	\$ 2,000,000
Expenditures	
Class size	25
Additional teachers needed*	8
Compensation per teacher	\$ 100,000
Books and supplies per student	\$ 200
<i>Total Additional Expenditures</i>	\$ 840,000
Surplus	\$ 1,160,000

Public education staffing had been growing through recessions and is only now starting to fall



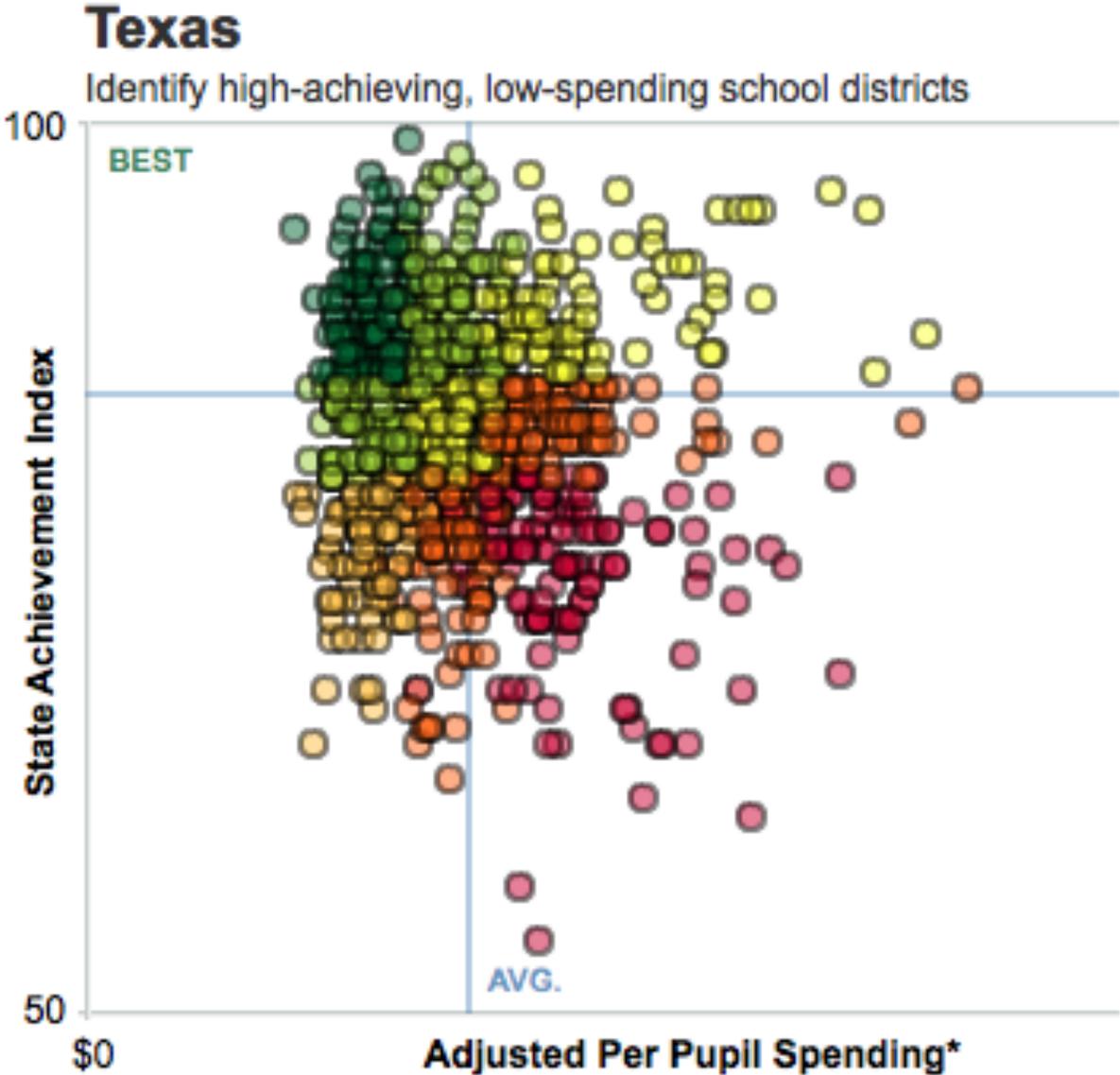
What will happen to staff in coming years?



Education processes are changing

- **Mass customization**
- **Technological efficiencies**
- **Information systems that inform teaching, learning, and effectiveness**
- **Tolerance for new schooling models**

Districts within states vary on spending, outcomes, & ROI



State finance design features:

1. Fund students, and student types

- Avoid over-funding smaller districts, or create hold harmless provisions.
- Remove process constraints or input specification

2. Create transparency, measure productivity

- State enables data systems to assist districts

3. Incent innovation, ensure variation and options

- Fund innovation for improved productivity, e.g. through competitive grants or innovation zones that *hinge* on plans to innovate toward savings.
- Grow new schools (or program options) in low performing areas

4. Augment accountability

- Student choice and funding portability
- Remove funds (via a process for school closure).